

**Internal Revenue Service**

**Department of the Treasury**

District  
Director

Date: FEB 11 1967  
Person to Contact:

Contact Telephone Number:

Refer Reply to:

**CERTIFIED MAIL**

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The information presented shows that you were incorporated in the State of [REDACTED], under the [REDACTED] non-profit Corporation Act, on [REDACTED].

Your purposes are to promote the development of visual arts and the marketing of such products.

As stated in the bylaws, membership is open to any legal resident of [REDACTED] who makes craft products for sale in reasonable quantities.

Financial data submitted reveals that your sources of income are from membership dues and from exhibit and show space fees. Expenditures are for exhibit and show advertising and general operating expenses.

The arts and crafts created, made and sold by the members include original arts in oil, acrylics and water color, wooden-ware, silver jewelry, ceramics, hand-made quilts, knit and crocheted goods, stained and cut glass, home made dolls etc. The activities of your organization consists of holding arts and crafts shows for the general public at which your members exhibit and sell their arts and crafts.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, scientific or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual, etc.

Section 1.501(c)(3)-1(a) of the Regulations states that in order to be exempt as an organization described in section 501(c)(3) an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet with the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1(b)(1)(iv) of the Regulations states that in no case shall an organization be considered to be organized exclusively for one or more exempt purposes, if, by the terms of its articles, the purposes for which such organization is created are broader than the purposes specified in section 501(c)(3).

Section 1.501(c)(3)-(b)(4) of the Regulations states that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized.

Section 1.501(c)(3)-1(c)(1) of the Regulations states that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations states that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, to meet the requirement of this subdivision, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Rev. Rul. 71-395, 1971-2 C.B. 228 holds that a cooperative art gallery formed and operated by a group of artists for the purpose of exhibiting and selling their works does not qualify for exemption under section 501(c)(3) of the Code.

Based upon the information submitted with your application 1023 we have determined that the members of your organization are being directly benefitted by the exhibition and sale of their works, with the result that a major activity of the organization is serving the private interests of those members whose works are displayed for sale. Therefore, you are not operated exclusively for charitable, educational or other purposes enumerated in section 501(c)(3) of the Code. In addition, since your purposes as stated in your organizational document go beyond those described in section 501(c)(3) of the Code and your assets are not permanently dedicated to an exempt purpose as required in section 1.501(c)(3)-1(b)(4) of the Regulations you also are not organized exclusively for section 501(c)(3) purposes.

Since you are not organized and operated exclusively for section 501(c)(3) purposes, we have determined that you do not qualify for exempt status under the provisions of section 501(c)(3) of the Code and purpose to deny exemption under this section of the Code. You also fail to qualify for exemption under any other section of the Internal Revenue Code.

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination you may protest in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

If we do not hear from you within that time this determination will be considered final and the appropriate State Officials will be notified.

If you do not protest this proposed determination in a timely manner. It will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Very truly yours,

A solid black rectangular box used to redact the signature of the District Director.

District Director

Enclosure: Pub. 892